

Leno.

XIV

"ON THE DRY SIDE" - XIII

When the Prime Minister asked world leaders prior to the Versailles Conference to reduce protection, our Government already had the IAC recommendation for general reductions in Australian protection before it. I felt ^{then} that at last Australia might do something about her own exceptional trade barriers. Even though the ~~Prime Minister's~~ ^{MR FRASEAS} New York statement explicitly avoided committing Australia to any action, it seemed only charitable to assume that if we had no intention of abandoning our own waywardness we would not urge so much virtue on others.

My charitable feelings were misplaced. We now pretend ^{ed} that we should not reduce our trade barriers until the rest of the world ^{did} does likewise. // That excuse ought not to be accepted for four reasons.

First, simply because as the Prime Minister himself pointed out in a speech at the Lusaka CHOGM, "Defensive protectionist policies exacerbate the situation they are meant to deal with, in that they result in an inefficient use of labour and capital resources". And again, at the Manila UNCTAD, "even in terms of cold-blooded self-interest, such devices are short-sighted and self-defeating".

Second, because Australian trade is much more restricted than the trade of most similar economies. Silly comparisons are sometimes made which purport to show otherwise.

Apologists for trade barriers will sometimes attempt to draw a general conclusion about overall levels of trade restraint from only one industry or nation. On other occasions they will point indignantly to restraints against imports which exist in law; but, since the nation concerned produces the commodity more cheaply than

other nations do, the restraints have no substantial effect on imports. Such a case is car imports into Japan.

Yet again the question is begged by the observation that a certain percentage of Australian imports enter duty free or over low rates of tariff. The Prime Minister is fond of this statistical trick. It is achieved by neglecting to draw the listener's attention to the fact that a high percentage figure is achieved not by increasing the numerator of the fraction but by reducing the denominator. In fact, if tariffs on dutiable goods are high enough, then 100% of imports will be those which enter Australia duty free.

Another all too common sleight of hand is to compare Australia's trade flows with some very large trading entity such as the E.E.C or the U.S.A. The smaller the economic entity, the fewer activities in which it can expect to excel - a small Pacific island will trade almost its entire production buying in most of its consumption.

The whole world is a closed economy; its external trade is nil. Large parts of the world economy, such as the E.E.C and U.S.A naturally need to trade less than do minor parts. They can achieve much of the specialisation which is necessary for efficiency by internal trade between the varied aptitudes, climates and other natural and man-made advantages within their borders. The smaller the economy the greater the damage done by its own refusal to trade.

If indeed Australians are determined to be no more sensible than the least sensible of nations, then the proper comparison is between Australia and other nations of \$100 and \$200 billion annual gross product. Australian

trade is 15% of its product, Belgium about half, Netherlands 45%, Sweden 25% and Switzerland 30%.

The third reason why Australia should not wait for the rest of the world to reduce barriers is inherent in trade theory. International payments must in the end balance. So long as even one nation will buy from us then our export industries and other import competing industries will benefit from a unilateral reduction of our import barriers. Take cars as an example. If Australia were to admit more cars, then if they were either cheaper or better than those currently available, costs for every Australian industry including other import-competing industries would be reduced.

What is even more important, the Australian dollar would devalue in the only manner which is not inflationary, so improving the competitive edge of every exporter and every other import competitor. The automatic alternative to tariff and quota protection is the protection afforded of a lower exchange rate. The difference would be that while exchange rate "protection" is spread evenly across producers of all traded goods, trade barriers benefit high cost economically inefficient industries at the expense of the others.

Finally, those nations, Japan, Korea, Chile, Taiwan and Singapore, which have unilaterally reduced their trade barriers, achieving higher proportions of traded product, have all also achieved higher rates of economic growth and with that the opportunity for more consumption and employment. Only our own lack of will prevents us from doing even better than they. Yet instead we concentrate so much effort on defending wayward behaviour with bad argument.

Hyde

"DRY SIDE" 4-14

Little has been gained at G.A.T.T by urging virtue on others. It was well that the Deputy Prime Minister should urge the member nations of G.A.T.T to reduce protection, but even while he was negotiating the Australian Government announced that section 14 of the Anti-Dumping Act which requires the Government to observe G.A.T.T treaties was to be repealed. It is Australian trade barriers which most harm Australians. As was discreetly pointed out by the BBC (30 November, 1982) our arguments overseas might be better received if our sincerity were less easily questioned.

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